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How the NDP and Greens Can Grow BC's Cooperative Economy

Co-ops make us wealthier and more equal, and government can do plenty to foster them.

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Progressive government has arrived in British Columbia. The New Democratic Party, with support from the Greens, will have a precious opportunity to promote genuine equity and sustainability in their policy making, values that were buried alive during Christy Clark's reign as premier.

The NDP and Greens have jointly promised an Emerging Economy Task Force to "address the changing nature of business over the next 10 to 25 years." In the shorter term the task force will help guide policy-making that creates jobs, acts on climate change, and builds a "sustainable economy that works for everyone."

Policy that supports the growth of the cooperative sector in B.C. can go a long way towards achieving the goals of a sustainable and equitable economy that both the Greens and NDP share. Consider the Basque region of Spain, where the Mondragon cooperative network is the largest employer, providing jobs to over 80,000 workers, working in the areas of manufacturing, retail, finance, and research and development. It acts as a parent company to many different co-ops.

Basque country is the wealthiest region in Spain with a per capita GDP that is 35 per cent higher than the Spanish average, and 30 per cent higher than the EU average. The Basque country also has low income inequality compared to the European average. Worker satisfaction in the region is one of the highest in the world.

As a worker-owned cooperative, Mondragon has unique features distinguishing it from traditional capitalist firms. One key difference is the cap in pay differential between top and bottom earners. Currently the top earners with Mondragon can only earn six times the pay of those in the bottom bracket. In comparison, the top CEOs in Canada, according to the Canadian Centre for Policy Alternatives, currently make 193 times an average industrial worker's salary. Cooperatives, with their democratic ownership and control, are one tool for challenging the ridiculous divide between top and middle earners at Canadian companies.

Public policy supportive of cooperatives has played a key role in Mondragon's success, and the relative equity and worker-satisfaction found in Basque country. For example, Spanish cooperatives enjoy a favourable tax rate. The Spanish corporate tax rate is 30 per cent. Cooperatives benefit from only paying a 20 per cent tax rate, while coops labeled "specially protected" pay an even lower rate of 10 per cent.

“Specially protected” cooperatives include worker-owned cooperatives, agricultural cooperatives, and consumer coops; their special status derives from the social good they generate.

Along with preferential taxation there are two other key policy forms that have been successfully deployed to grow cooperative economies around the world. Perhaps the most important is access to public financing. Conventional financial institutions, due to unfamiliarity with the form and ideological blinders, can be hesitant to lend to cooperatives, especially worker-owned firms. The strong credit union sector in B.C. reduces this concern (credit unions are cooperative banks that are more likely to lend to fellow cooperatives), but having access to public financing would still help grow the cooperative economy, especially for capital-intensive projects.

In Italy, the Marcora Act of 1985 set up two different funds for financing coop development. The first is a general fund for the development of all types of cooperatives. The second is designed specifically to deal with employee take-overs of troubled companies. Similarly, the Government of Quebec maintains a robust coop loan fund. The fund covers start-up and expansion costs including capital asset acquisitions, and product and market development. Having access to a lender of low-interest capital for both large and small cooperative projects addresses a key barrier to coop development.

Another key mechanism that can support cooperative growth is governmental support for the technical side of starting a new collective enterprise. The Quebecois cooperative movement has benefitted considerably from the formation of Regional Development Cooperatives. These organizations are funded primarily by the provincial government and have a mandate to support the creation of new coops, strengthen existing coops, and support co-operative networks in Quebec’s 17 administrative regions. These RDCs, which operate as cooperatives themselves, have played a central role in growing Quebec’s cooperative sector.

Another mechanism with real promise to grow cooperative economies is preferential bidding on governmental purchasing contracts. Because cooperatives regularly achieve public goals like job creation, good wages, and greater job satisfaction, then it makes sense for them to be first in line when the government goes to buy goods and services with public money. Recent research shows that in 2010 cooperatives in Canada created jobs at nearly five times the rate of the overall economy, and generated 11 per cent more income for those employed in the industry.

Along with job creation, good wages and worker satisfaction, cooperatives can also help forge truly sustainable economies. Because they are animated by values over profit, cooperatives can more easily achieve social and ecological goals than conventional firms. For example, Vancity Credit Union recently launched Canada’s first fossil-free mutual fund and was named the 2017 top corporate citizen in Canada by Corporate Knights Magazine (Desjardins, a Quebecois credit union, came second).

Approximately 60 per cent of the British Columbians who participated in the recent election voted for platforms that prioritize equity, justice, and sustainability. By cooperating together to introduce policies that support coop growth in B.C., the NDP and Greens can make quick progress on their shared goal of crafting a sustainable economy that works for everyone.

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